



Want Income? Buy Bank of Montreal

Description

For investors looking to generate consistent income from a safe bank stock, there aren't very many options. Either the dividend is too low or the bank has too much exposure to the oil industry. One option that I believe is worth considering is **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)). Its relative safety keeps can keep any one's heart burn away, and the dividends are tremendously lucrative.

Based on current prices, the company pays \$0.84 per share, per quarter, which is approximately a 4.46% yield. This alone makes the stock worth considering, but it's not actually my favourite thing about Bank of Montreal. What I care more about is how long the company has paid its dividend and that the dividend is increasing.

I was born in 1988. I would have to go back to my great-great-great grandfather (maybe further back) to find someone who was alive when the Bank of Montreal didn't pay a dividend. Every year since 1829 investors have received a dividend. Through two World Wars, the Great Depression, oil crisis after oil crisis, the Financial Crisis of 2008, and other problems, the bank has paid its dividend.

On top of that, when the bank is able to, it increases its dividend. For four consecutive years it has increased its dividend with its most recent 2.4% increase in December. The company expects to pay out anywhere from 40-50% of net earnings in dividends. As long as earnings continue to grow, the dividend should follow.

This leads me to an analysis on how the earnings will grow for the bank.

The bank has operations in both Canada and the United States. In Canada its capital markets division had a 27% increase in net income to \$243 million year over year. Its personal and commercial banking units increased by 7% year over year to \$561 million. The wealth management division increased by 8% to \$271 million.

Things were just as good in the United States thanks to the strong U.S. dollar. Its adjusted net income increased 22% to \$221 million across its 600+ branches. Because Bank of Montreal reports in Canadian dollars, its earnings in the United States gain a multiplier that helps the company appear even stronger.

I expect that it will continue to generate more revenue in the United States thanks to its recent acquisition of the Transportation Finance division at **General Electric**. This will expand the bank's commercial loans by 13%. Further, if the trucking business continues to get stronger in the U.S., the 20% market share that this division has will print money for BMO.

All told, the bank is well diversified, making smart acquisitions, and growing where it should be. Because of this, the dividend is able to continue growing and maintain the company's history of making payments to investors every year since 1829.

When I go to bed at night, I want to know my investments are earning me money. This is one stock that will definitely generate that income.

CATEGORY

1. Bank Stocks
2. Investing

POST TAG

1. Editor's Choice

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1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

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Date

2025/08/25

Date Created

2016/02/23

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